

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 IO-10 ISO-00 L-03 AGR-05 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 6552

INFO USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, RP

SUBJECT: NEW TEXTILE AGREEMENT

REF: (A) STATE 190781; (B) STATE 183677; (C) MANILA 10224

GENEVA FOR PHELAN

1. WE HAVE RECEIVED DRAFT NOTE TO EFFECT MEMORANDUM OF UNDERSTANDING BUT ANNEX A. IS MISSING PLEASE FORWARD ASAP.

2. PHILIPPINE PROPOSAL FOR CATEGORY 223, AS STATED IN JULY 30 LETTER FROM UNDERSECRETARY PIO DE RODA TRANSMITTED BY FOREIGN OFFICE NOTE IS THAT, "THE 300,000 DOZENS ALLOCATED FOR CATEGORY NO. 223 IN GROUP I BE SHIFTED TO GROUP II WITHOUT CHANGING THE AGGREGATE GROUP LIMIT." IN TELEPHONE CONVERSATION ATTENDANT UPON RECEIPT REFTEL A PIO DE RODA INDICATED CONCURRENCE WITH SUGGESTION PARAGRAPH 3 REFTEL A THAT THERE BE "APPROPRIATE TRANSFER OF YARDAGE FROM TRADITIONAL GROUP LIMIT TO NON-TRADITIONAL GROUP LIMIT." THUS, SUBJECT TO SECOND THOUGHTS, PHILIPPINE PROPOSAL IS THAT 300,000 DIZENS IN CATEGORY 223 BE TRANSFERRED FROM GROUP I TO GROUP II, WITH GROUP I LIMIT BEING REDUCED TO 113,000,000 AND GROUP II LIMIT

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BEING INCREASED TO 76,000,000.

3. EMBASSY BELIEVES THERE IS A TYPO IN PARA 5, REFTEL A. WOULD APPEAR THAT 219 RATHER THAN 210 IS CORRECT CATEGORY FOR ALLEGED CATEGORY 218 SHIPMENTS. REQUEST CONFIRMATION.

4. PIO DE RODA STATES HE HAS REMINDED INDUSTRY OF NEED TO SUPPLY DATA FOR RESOLUTION OF CATEGORY 238 QUESTION AND WILL DO SO AGAIN. CATEGORY 42 HAS NOT BEEN MENTIONED FURTHER AND EMBASSY BELIEVES IT WILL PROBABLY NOT BE.

5. SUGGESTED ARRIVAL DATE OF AUGUST 31 FOR E.A. LIPSCOMB IS ACCEPTABLE.

6. EMBASSY APPRECIATES AND HAS PASSED ON TO PIO DE RODA GUIDANCE PARA ONE AND TWO OF REFTEL A TO EFFECT THAT GUAM-BASED COMPANY IS NOT A U.S.-BASED COMPANY.

7. EMBASSY WOULD LIKE, HOWEVER, TO CLARIFY CERTAIN MATTERS WITH RESPECT TO THIS QUESTION. TRADITIONAL TRADE WITH PHILIPPINES, ESTABLISHED PRE-WAR, WAS BASED ON EMBROIDERY OF U.S. MATERIALS. IT WAS NOT LIMITED TO INFANTS GARMENTS BUT INCLUDED OTHER ITEMS SUCH AS HANKERCHIEFS WHICH WERE SUITABLE TO HAND EMBROIDERY.

8. TODAY'S SO-CALLED EMBROIDERY INDUSTRY IS LARGELY A POST-1960 PHENOMENON OWING ITS NAME AND ORIGIN TO EMBROIDERY LAW PASSED IN 1961 TO PROMOTE EXPORTS BY ALLOWING BONDED IMPORT OF RAW MATERIALS. EMBROIDERY INDUSTRY UTILIZES BOTY COTTATE OPERATIONS AND FACTORY OPERATIONS TO PRODUCE BOTH INFANTS WEAR AND ADULT WEAR, WITH SAME FIRMS OFTEN PRODUCING BOTH TYPES IN BOTH OPERATIONS. MOST EXPORTS TO U.S. COME FROM SO-CALLED EMBROIDERY INDUSTRY, BUT FIRMS NOT UNDER EMBROIDERY LAW ALSO PRODUCE GARMENTS FOR EXPORT TO U.S., INCLUDING INFANTS WEAR. EMBROIDERY COMPANIES UTILIZE WHATEVER SOURCE OF RAW MATERIALS IS MOST ADVANTAGEIOUS, AND MATERIALS SUPPLIED BY U.S.-BASED COMPANIES TO THEIR PHILIPPINE-BASED PRODUCERS ARE OFTEN NOT OF U.S. ORIGIN.

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9. EMBROIDERY COMPANIES WHICH EMPHASIZE ADULTS WEAR CONSIDER THAT EMBROIDERY COMPANIES WHICH EMPHASIZE INFANTS WEAR (READ ARMAND PICHIOTO) PULLED A FAST ONE IN HAVING INFANTS WEAR CATEGORIZED BY U.S. AS TRADITIONAL. HOWEVER, THIS IS PAST HISTROY, INASMUCH AS THIS OCCURRED WHEN FIRST COTTON BILATERAL WAS NEGOTIATED. POINT WITH RESPECT TO QUOTA RUNAWAYS IS THAT THERE IS NO LINK

BETWEEN TRADITIONAL BREAKDOWN OF TEXTILE
AGREEMENT AND QUOTA RUNAWAYS, WHO UNDER EMBROIDERY LAW
COULD PRODUCE EITHER TRADITIONAL OR NON-TRADITIONAL
GARMENTS OR BOTH WERE IT NOT FOR ADMINISTRATIVE ACTIONS
TAKEN BY GOP TO EXCLUDE THEM. GOP POLICY DESCRIBED
REFTEL C WAS INSTITUTED FIVE YEARS AGO, AT EMBASSY
URGING, NOT BECAUSE OF ANY CONCEPT OF "TRADITIONAL TRADE,"
BUT RATHER IN ORDER TO SLOW GROWTH OF INDUSTRY TO HEAD
OFF QUOTA ON MAN-MADES. RATIONALE FOR GOP POLICY DIMINISHED
WITH ALL-FIBER AGREEMENT, AND WHILE EMBASSY DELIGHTED IT
BEING CONTINUED, CONTINUATION OF POLICY WOULD NOT BE
FACILITATED BY SUGGESTING TO GOP THAT RADITIONAL/NON-
TRADITIONAL CONCEPTS ARE A RELEVANT CONSIDERATION. GOP
SELF-INTEREST IN RESERVING THE U.S. MARKET FOR PHILIPPINE
FIRMS IS PRIMARY OPERATIVE CONSIDERATION. SULLIVAN

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